

# HOUSE BILL 463

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By: Delegates Elliott, Ross, Afzali, Arora, Aumann, Barve, Bates, Beidle, Beitzel, Boteler, Branch, Bromwell, Burns, Cardin, Cluster, Conaway, DeBoy, Donoghue, Eckardt, Fisher, Frank, Frick, Frush, George, Gilchrist, Glass, Glenn, Haddaway–Riccio, Haynes, Healey, Hogan, Holmes, Hough, Hubbard, Impallaria, Ivey, Jacobs, James, Jameson, Kach, Kaiser, K. Kelly, Kipke, Krebs, Love, McComas, McConkey, McDermott, McDonough, McMillan, A. Miller, W. Miller, Minnick, Mitchell, Morhaim, Murphy, Myers, O’Donnell, Olszewski, Parrott, Pena–Melnyk, Ready, B. Robinson, Schuh, Schulz, Serafini, Smigiel, Sophocleus, Stocksdale, Stukes, Szeliga, F. Turner, Valentino–Smith, Waldstreicher, Walker, and Wood

Introduced and read first time: February 7, 2011

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Property Tax – Semiannual Payment Schedule – Business Property**

3 FOR the purpose of repealing a requirement that a small business may not have  
4 property taxes for the taxable year in excess of a certain amount to be eligible  
5 for a semiannual payment schedule for State, county, municipal corporation,  
6 and special taxing district property taxes; providing for the application of this  
7 Act; and generally relating to a semiannual property tax payment schedule for  
8 business property.

9 BY repealing and reenacting, with amendments,  
10 Article – Tax – Property  
11 Section 10–204.3  
12 Annotated Code of Maryland  
13 (2007 Replacement Volume and 2010 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article – Tax – Property**

17 10–204.3.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) (1) In this section the following words have the meanings indicated.

2 (2) "Owner-occupied residential property" means the principal  
3 residence of a homeowner as defined in § 9-105 of this article.

4 (3) ["Small business] "**BUSINESS** property" means real property[:

5 (i)] that has been assigned a commercial use code by the  
6 Department]; and

7 (ii) for which the total State, county, municipal corporation, and  
8 special taxing district property taxes for the taxable year do not exceed \$50,000].

9 (b) Notwithstanding Subtitle 1 of this title:

10 (1) the governing body of a county shall provide a semiannual  
11 payment schedule for State, county, and special taxing district property taxes due on  
12 owner-occupied residential property or [small] business property; and

13 (2) the governing body of a municipal corporation shall provide a  
14 semiannual payment schedule for municipal corporation and special taxing district  
15 property taxes due on owner-occupied residential property or [small] business  
16 property.

17 (c) A semiannual payment schedule under this section shall apply:

18 (1) at the time of the transfer of property purchased on or after July 1,  
19 2000; and

20 (2) to any current or future owner of owner-occupied residential  
21 property or [small] business property, regardless of whether the property was  
22 purchased before July 1, 2000.

23 (d) (1) The semiannual payment schedule under this section shall apply  
24 to:

25 (i) the property tax due for the tax year following transfer of  
26 the property; and

27 (ii) the property tax due and not in arrears for the current tax  
28 year for any transfer occurring on or after July 1 but on or before September 30.

29 (2) The first installment of a semiannual payment shall be paid on or  
30 before September 30.

1 (e) A semiannual payment schedule may include a service charge to be paid  
2 with the second installment.

3 (f) A service charge:

4 (1) shall be:

5 (i) adopted by the taxing authority that collects the property  
6 taxes after obtaining the prior approval of the amount of the service charge from the  
7 Department, as part of adoption of the property tax rate under §§ 6–301 through  
8 6–303 of this article;

9 (ii) applicable to all property tax being collected by the taxing  
10 authority on the semiannual payment schedule for itself and for any other taxing  
11 authority;

12 (iii) expressed as a percent of the amount of tax due at the  
13 second installment and shown on the tax bill as a percent and actual dollar amount  
14 charged; and

15 (iv) calculated in an amount:

16 1. reasonably equivalent to the anticipated lost interest  
17 income associated with the 3–month delay in payment of the second installment by  
18 multiplying the amount of the second installment by a rate not exceeding 1.5%; and

19 2. covering administrative expenses associated with the  
20 semiannual payment not exceeding the lesser of the actual expenses incurred in the  
21 preceding fiscal year per semiannual tax account as approved by the State  
22 Department of Assessments and Taxation or 10% of the charge for the anticipated lost  
23 interest income as calculated in item 1 of this item;

24 (2) does not apply if both installments of property tax are paid on or  
25 before September 30 of the taxable year; and

26 (3) may not be considered to be a property tax for the purposes of any  
27 provision of a local law or charter that limits the property tax rate or property tax  
28 revenues.

29 (g) The local taxing authority shall provide to the Department by May 1 of  
30 each year, information that substantiates that the proposed service charge for the  
31 anticipated lost interest is reasonably equivalent to the amount of interest that will be  
32 lost as a result of the semiannual payment.

33 (h) (1) The property tax bill under a semiannual payment schedule:

34 (i) shall state:

1                           1.     the amount of the tax due if paid in full, including any  
2 applicable discounts for early payment;

3                           2.     the amount of the tax due if paid in semiannual  
4 installments, including any applicable discounts for early payment of the first  
5 installment;

6                           3.     the amount of any service charge to be paid with the  
7 second installment unless the second installment is paid on or before September 30 of  
8 the taxable year;

9                           4.     that the service charge does not apply if both  
10 installments are paid on or before September 30 of the taxable year; and

11                          5.     the date the tax payment is due; and

12                           (ii) shall be subject to approval by the Department of  
13 Assessments and Taxation.

14                          (2)     The Department shall approve any local semiannual payment  
15 schedule collection that:

16                           (i)     provides efficient and cost-effective collection of taxes; and

17                           (ii)    provides two semiannual coupons, two semiannual billing  
18 forms, or a similar method that allows taxpayers to pay on a semiannual basis.

19                          (3)     Local semiannual payment schedule collection systems that are not  
20 approved by the Department shall utilize 2 semiannual payment coupons that shall be  
21 submitted with the appropriate payment.

22                          (i)     A payment under a semiannual schedule:

23                           (1)     for the first installment:

24                           (i)     is due on July 1 of the tax year; and

25                           (ii)    may be paid without interest on or before September 30 of  
26 the tax year; and

27                           (2)     for the second installment:

28                           (i)     is due on December 1 of the tax year;

29                           (ii)    except for the service charge, may be paid without interest  
30 on or before December 31 of the tax year; and

1 (iii) may be prepaid without the service charge or interest on or  
2 before September 30 of the tax year.

3 (j) (1) If an escrow account is established for the payment of the property  
4 tax, the escrow account servicer shall pay tax in semiannual installments unless the  
5 escrow account servicer has received written direction from the property owner or  
6 borrower to pay property tax in annual payments.

7 (2) If a taxpayer provides written direction to an escrow account  
8 servicer at least 60 days prior to the beginning of the tax year, property taxes shall be  
9 paid on an annual payment basis on behalf of that taxpayer by the escrow account  
10 servicer in the tax year that begins immediately following the year in which the  
11 written direction was received.

12 (3) If a taxpayer provides written direction to an escrow account  
13 servicer less than 60 days prior to the beginning of the tax year, property taxes may be  
14 paid on an annual payment basis on behalf of that taxpayer by the escrow account  
15 servicer in the tax year that begins immediately following the year in which the  
16 written direction was received.

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
18 October 1, 2011, and shall be applicable to all taxable years beginning after June 30,  
19 2012.